

VILLAGE OF LODI

MEDINA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Lodi
110 Ainsworth Street
Lodi, Ohio 44254

We have reviewed the *Report of Independent Accountants* of the Village of Lodi, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lodi is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 6, 2012

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VILLAGE OF LODI
MEDINA COUNTY

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lodi
Medina County
110 Ainsworth Street
Lodi, Ohio 44254

To the Village Council:

We have audited the accompanying financial statements of the Village of Lodi, Medina County, Ohio (the Village), as and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

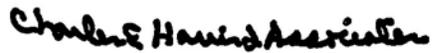
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lodi, Medina County as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Charles E. Harris & Associates, Inc.

June 1, 2012

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 399,876	-	-	-	\$ 399,876
Intergovernmental	220,466	\$ 136,058	-	-	356,524
Special Assessments	-	-	\$ 1,828	\$ 118	1,946
Charges for Services	320,888	-	-	6,539	327,427
Fines, Licenses and Permits	5,433	1,906	-	1,000	8,339
Earnings on Investments	8,114	1,773	-	-	9,887
Miscellaneous	-	500	-	-	500
<i>Total Cash Receipts</i>	<u>954,777</u>	<u>140,237</u>	<u>1,828</u>	<u>7,657</u>	<u>1,104,499</u>
Cash Disbursements					
Current:					
Security of Persons and Property	674,993	350	-	-	675,343
Leisure Time Activities	17,445	-	-	-	17,445
Community Environment	13,150	-	-	-	13,150
Transportation	107,828	146,734	-	-	254,562
General Government	244,161	4,535	23	63	248,782
Capital Outlay	15,130	23,983	-	2,755	41,868
Debt Service:					
Principal Retirement	-	1,420	-	-	1,420
<i>Total Cash Disbursements</i>	<u>1,072,707</u>	<u>177,022</u>	<u>23</u>	<u>2,818</u>	<u>1,252,570</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(117,930)	(36,785)	1,805	4,839	(148,071)
Other Financing Receipts (Disbursements)					
Other Financing Sources	999	1,993	-	-	2,992
<i>Total Other Financing Receipts (Disbursements)</i>	<u>999</u>	<u>1,993</u>	<u>-</u>	<u>-</u>	<u>2,992</u>
<i>Net Change in Fund Cash Balances</i>	(116,931)	(34,792)	1,805	4,839	(145,079)
<i>Fund Cash Balances, January 1</i>	<u>352,448</u>	<u>291,570</u>	<u>15,177</u>	<u>129,410</u>	<u>788,605</u>
Fund Cash Balances, December 31					
Restricted	-	256,778	16,982	30,726	304,486
Committed	-	-	-	103,523	103,523
Unassigned (Deficit)	235,517	-	-	-	235,517
<i>Fund Cash Balances, December 31</i>	<u>\$ 235,517</u>	<u>\$ 256,778</u>	<u>\$ 16,982</u>	<u>\$ 134,249</u>	<u>\$ 643,526</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 5,230,058	-	\$ 5,230,058
<i>Total Operating Cash Receipts</i>	<u>5,230,058</u>	<u>-</u>	<u>5,230,058</u>
Operating Cash Disbursements			
Personal Services	622,769	-	622,769
Employee Fringe Benefits	260,839	-	260,839
Contractual Services	551,531	-	551,531
Supplies and Materials	3,014,151	-	3,014,151
<i>Total Operating Cash Disbursements</i>	<u>4,449,290</u>	<u>-</u>	<u>4,449,290</u>
<i>Operating Income (Loss)</i>	780,768	-	780,768
Non-Operating Receipts (Disbursements)			
Sale of Notes	250,000	-	250,000
Miscellaneous Receipts	29,736	\$ 561	30,297
Capital Outlay	(139,318)	-	(139,318)
Principal Retirement	(657,169)	-	(657,169)
Interest and Other Fiscal Charges	(13,308)	-	(13,308)
Other Financing Sources	-	55,875	55,875
Other Financing Uses	-	(40,300)	(40,300)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(530,059)</u>	<u>16,136</u>	<u>(513,923)</u>
<i>Income (Loss)</i>	250,709	16,136	266,845
<i>Fund Cash Balances, January 1</i>	<u>2,425,954</u>	<u>179,597</u>	<u>2,605,551</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,676,663</u>	<u>\$ 195,733</u>	<u>\$ 2,872,396</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LODI
MEDINA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$ 433,590	-	-	-	\$ 433,590
Intergovernmental	174,690	\$ 156,666	-	\$ 235	331,591
Special Assessments	-	-	\$ 8,571	12,241	20,812
Charges for Services	341,083	-	-	1,000	342,083
Fines, Licenses and Permits	4,705	560	-	-	5,265
Earnings on Investments	19,346	4,267	-	-	23,613
Total Cash Receipts	973,414	161,493	8,571	13,476	1,156,954
Cash Disbursements:					
Current:					
Security of Persons and Property	686,928	1,283	-	-	688,211
Leisure Time Activities	23,549	-	-	-	23,549
Community Environment	13,284	-	-	-	13,284
Transportation	43,023	223,566	-	-	266,589
General Government	270,524	918	-	-	271,442
Capital Outlay	40,968	112,082	-	6,101	159,151
Debt Service:					
Redemption of Principal	-	-	5,200	-	5,200
Interest and Fiscal Charges	-	-	416	-	416
Total Cash Disbursements	1,078,276	337,849	5,616	6,101	1,427,842
Total Receipts Over/(Under) Disbursements	(104,862)	(176,356)	2,955	7,375	(270,888)
Other Financing Receipts / (Disbursements):					
Proceeds of O.P.W.C. Loan	-	28,399	-	-	28,399
Other Financing Sources	2,199	4,554	-	-	6,753
Other Financing Uses	-	-	(131)	(60)	(191)
Total Other Financing Receipts / (Disbursements)	2,199	32,953	(131)	(60)	34,961
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(102,663)	(143,403)	2,824	7,315	(235,927)
Fund Cash Balances, January 1	455,111	434,973	12,353	122,095	1,024,532
Fund Cash Balances, December 31	\$ 352,448	\$ 291,570	\$ 15,177	\$ 129,410	\$ 788,605

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 5,416,267	-	\$ 5,416,267
Total Operating Cash Receipts	<u>5,416,267</u>	<u>-</u>	<u>5,416,267</u>
Operating Cash Disbursements:			
Personal Services	875,125	-	875,125
Contractual Services	540,426	-	540,426
Supplies and Materials	2,978,490	-	2,978,490
Total Operating Cash Disbursements	<u>4,394,041</u>	<u>-</u>	<u>4,394,041</u>
Operating Income/(Loss)	1,022,226	-	1,022,226
Non-Operating Cash Receipts (Disbursements)			
Sale of Notes	500,000	-	500,000
Sale of Fixed Assets	1,111	-	1,111
Miscellaneous Receipts	35,484	-	35,484
Capital Outlay	(234,370)	-	(234,370)
Principal Retirement	(1,228,214)	-	(1,228,214)
Interest and Fiscal Charges	(38,957)	-	(38,957)
Other Financing Sources	-	\$ 47,074	47,074
Other Financing Uses	-	(35,900)	(35,900)
Total Non-Operating Receipts/Disbursements	<u>(964,946)</u>	<u>11,174</u>	<u>(953,772)</u>
Income/(Loss)	57,280	11,174	68,454
Fund Cash Balances, January 1	<u>2,368,674</u>	<u>168,423</u>	<u>2,537,097</u>
Fund Cash Balances, December 31	<u>\$ 2,425,954</u>	<u>\$ 179,597</u>	<u>\$ 2,605,551</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lodi, Medina County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, wastewater treatment, electric, storm sewers, and maintenance of village roads, parks, police and fire and rescue service.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. Note 10 to the financial statements provides additional information for the entity. The Village also participates in three joint ventures. Note 12 to the financial statements provides additional information on these entities. The organizations are:

Jointly Governed Organizations:

Ohio Municipal Electric Generation Agency (OMEGA JV1)
Ohio Municipal Electric Generation Agency (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 12 to the financial statement describes these assets.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Treasury Notes and U.S. Government Agency securities at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Motor Vehicle Permissive Fund – This fund receives a motor vehicle license tax which the Village can only use for planning, constructing, improving, maintaining and repairing Village roads.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Bond Retirement Fund – This fund receives special assessments which the Village uses to retire special assessment bond debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives transfers from the general fund to complete major capital improvements.

Sidewalk Fund – This fund receives proceeds from special assessments levied on Village residents to pay for repair of Village sidewalks.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

5. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric power service costs.

6. **Agency Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for utility deposits and unclaimed funds.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reapportioned in the subsequent year.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. **Equity in Pooled Deposits and Investments**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$611,821	\$747,995
Total deposits	<u>611,821</u>	<u>747,995</u>
U.S. Treasury Notes	265,471	804,792
STAR Ohio	<u>2,638,630</u>	<u>1,841,369</u>
Total investments	<u>2,904,101</u>	<u>2,646,161</u>
Total deposits and investments	<u><u>\$3,515,922</u></u>	<u><u>\$3,394,156</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form by, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. **Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (continued)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,005,522	\$955,776	(\$49,746)
Special Revenue	143,800	142,230	(1,570)
Debt Service	0	1,828	1,828
Capital Projects	6,000	7,657	1,657
Enterprise	5,703,500	5,509,794	(193,706)
Total	\$6,858,822	\$6,617,285	(\$241,537)

2011 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,281,900	\$1,072,707	\$209,193
Special Revenue	272,565	177,022	95,543
Debt Service	15,177	23	15,154
Capital Projects	125,747	2,818	122,929
Enterprise	7,161,100	5,259,085	1,902,015
Total	\$8,856,489	\$6,511,655	\$2,344,834

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,066,485	\$975,613	(\$90,872)
Special Revenue	234,657	194,446	(40,211)
Debt Service	5,600	8,571	2,971
Capital Projects	26,000	13,476	(12,524)
Enterprise	6,008,200	5,952,862	(55,338)
Total	\$7,340,942	\$7,144,968	(\$195,974)

2010 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,413,250	\$1,078,276	\$334,974
Special Revenue	526,670	337,849	188,821
Debt Service	6,116	5,747	369
Capital Projects	117,799	6,161	111,638
Enterprise	7,420,287	5,895,582	1,524,705
Total	\$9,484,122	\$7,323,615	\$2,160,507

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
AMP Ohio Electric System Improvement Bond Anticipation Notes	\$250,000	1.50%
OPWC Loan	\$26,980	0%
Ohio Water Development Authority Loan	4,237,395	0.2%
Total	<u>\$4,514,375</u>	

The Ohio Water Development Authority (OWDA) loan relates to a new water and sewer plant project that was mandated by the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments of \$218,682, including interest, over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan was for reconstruction of Grandview Drive.

The American Municipal; Power-Ohio Inc. (AMP-Ohio) revenue bond anticipation note related to the construction of a new substation on Harris Road. The note is secured by electric receipts. The Village has agreed to set utility rates sufficient to cover AMP-Ohio requirements.

The Village's taxing authority collateralized the bonds.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (continued)

Year ending December 31:	OPWC Loan	OWDA Loan	AMP-Ohio
2012	\$ 1,420	\$ 204,007	\$ 253,750
2013	1,420	408,011	-
2014	1,420	408,015	-
2015	1,420	407,763	-
2016	1,420	408,016	-
2017-2021	7,100	2,040,078	-
2022-2026	7,100	407,812	-
2027-2030	5,680	-	-
Total	<u>\$ 26,980</u>	<u>\$ 4,283,702</u>	<u>\$ 253,750</u>

6. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (continued)

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$293,435</u>	<u>\$188,675</u>

8. Contingent Liabilities/Subsequent Events

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Management believes there are no pending claims or lawsuits

9. Joint Ventures

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to purchase a diesel powered generation facility in Cuyahoga Falls, Ohio and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) was created for that purpose. Upon dissolution of the joint venture, the net assets of OMEGA JV1 will be shared by the participants on a percentage basis. The OMEGA JV1 is managed by American Municipal Power – Ohio AMP-Ohio), which acts as the agent of the joint venture.

The Village of Lodi is a Financing Participant and an Owner Participant with percentages of liability and ownership of .21% and .16% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011 the Village of Lodi has met its debt coverage obligation.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Joint Ventures (continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2011, the outstanding debt was \$23,633,931. The Village's net obligation for this amount at December 31, 2011 was \$49,631. The Village's net investment in OMEGA JV2 was \$47,474 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2011 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	100.00%	134,081

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Joint Ventures (continued)

The Village's liability for the bonds is disclosed below:

Years	Principal	Interest	Total Debt Service
2012	\$ 5,373	\$ 2,936	\$ 8,309
2013	5,653	2,654	8,307
2014	5,943	2,357	8,301
2015	6,255	2,045	8,300
2016-2020	26,407	5,315	31,722
Total Gross Liability	\$ 49,631	\$ 15,307	\$ 64,938
Net Obligation	\$ 49,631		

The Village of Lodi is a Financing Participant with an ownership percentage of .94 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011. Lodi has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Joint Ventures (continued)

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$99,838 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Lodi
Medina County
110 Ainsworth St
Lodi, Ohio 44254

To the Village Council:

We have audited the financial statements of the Village of Lodi, Medina County, Ohio (Village) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated June 1, 2012, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio and also implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Village Council and others within the Village. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.

June 1, 2012

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2008 and 2009, reported no material citations or recommendations.

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Dave Yost • Auditor of State

VILLAGE OF LODI

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2012